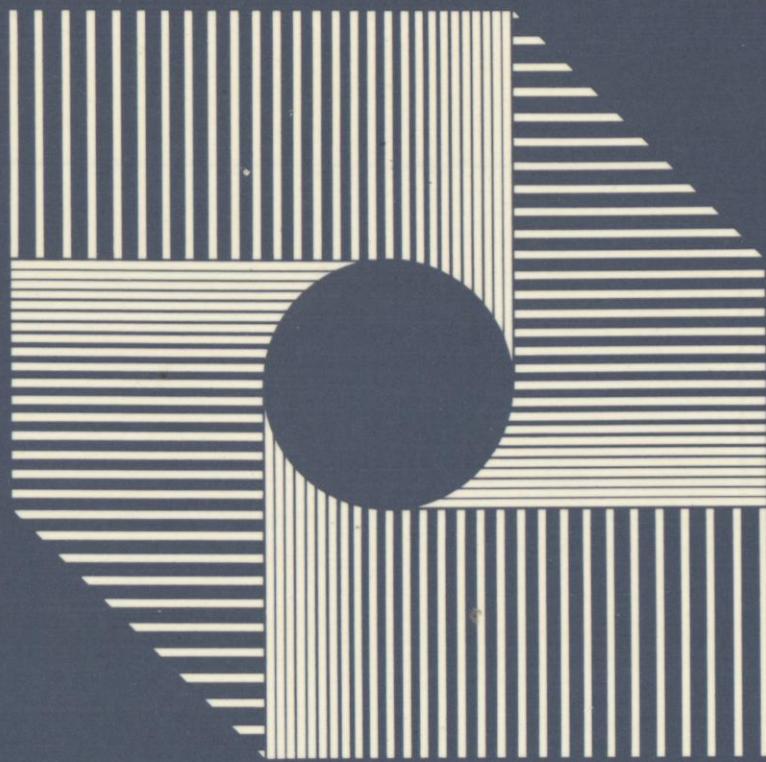


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Container Corporation of America

Annual Report 1966

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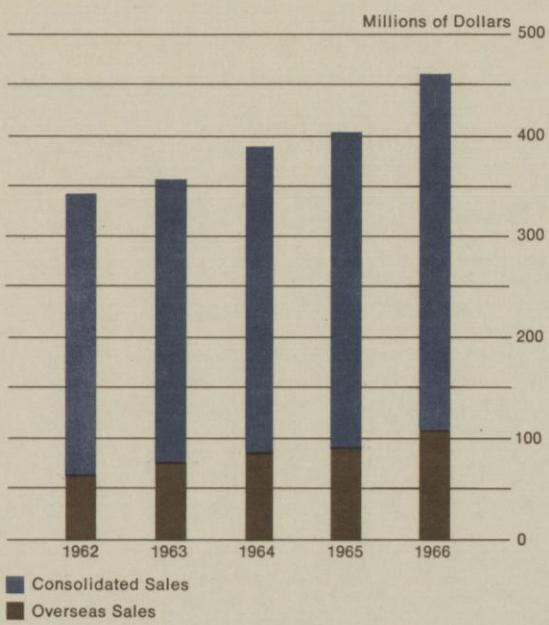




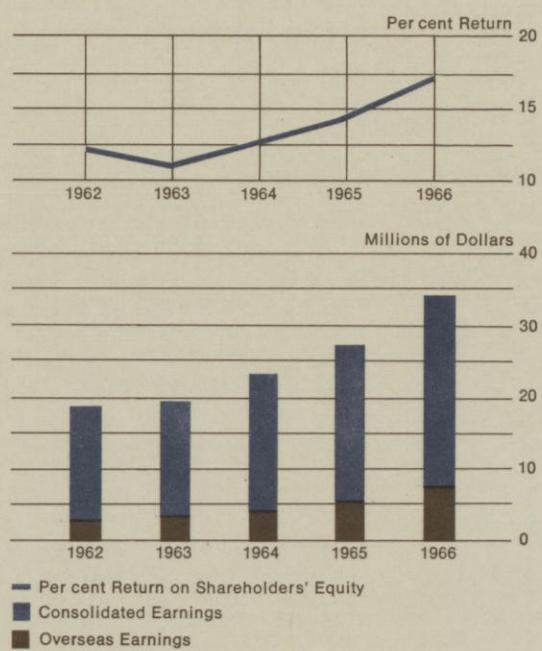
Container Corporation of America and Subsidiaries

A Glance at the Last Two Years	1966	1965
Sales	460 365 000	405 689 000
Earnings	34 231 000	27 301 000
Per share	3.06	2.42
Per cent to sales	7.4	6.7
Per cent return on shareholders' equity	16.8	14.2
Common stock dividends	13 996 000	12 848 000
Per share	1.25	1.15
Per cent of earnings	41	47
Retained earnings	20 235 000	14 302 000
Depreciation and depletion	19 593 000	18 454 000
Property additions and improvements	44 032 000	36 540 000
Working capital (current assets less current liabilities)	65 243 000	65 696 000
Taxes (federal, state, and local)	39 400 000	32 386 000
Per share	3.52	2.89
Book value per share	19.95	18.19
Capital per employee	13 900	13 200

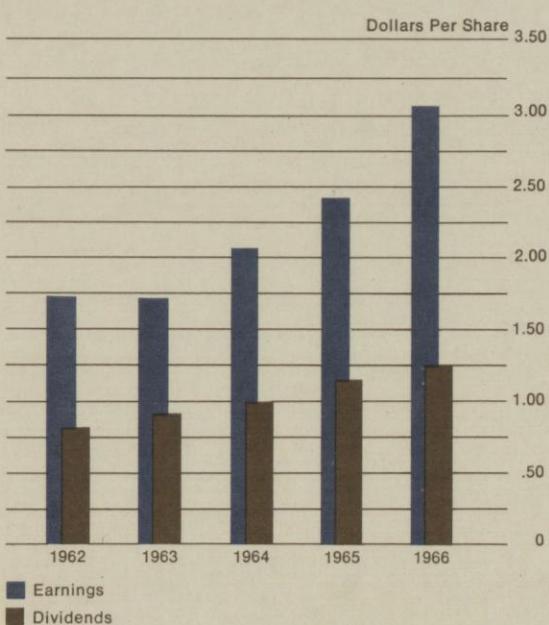
Sales



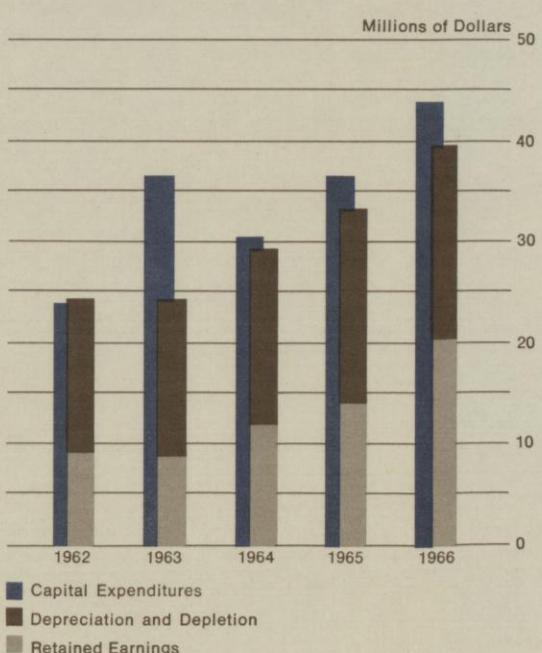
Earnings



Dividends and Earnings Per Share



Capital Expenditures Depreciation and Retained Earnings



**Packaging leadership strengthened
during past five years**

The last five years of Container Corporation of America's 40-year history have been a period of dramatic growth for the company. Sales have increased 39 per cent. Earnings have risen 87 per cent. Common stock dividends have been increased by 45 per cent. Return on shareholders' investment has climbed to 16.8 per cent. The reasons for this growth lie within the company and in the nature of its industry.

The business of Container Corporation of America is packaging. More specifically, ideas expressed in packaging. The company is committed to ideas—packaging ideas, marketing ideas, distribution ideas—exciting innovations in packaging. This idea-founded corporate motivation was a principal factor in the company's growth last year as in the past.

**Earnings rise to all-time
high of \$34,231,000**

Earnings in 1966 hit an all-time high, exceeding the 1965 record by 25 per cent. Net earnings totaled \$34,231,000 last year, compared with \$27,301,000 in 1965. Per share earnings in 1966 were \$3.06, compared with \$2.42 per share for the previous year. The earnings record established in 1966 marked the sixth successive year of profit increases, and enabled the company to maintain its position of leadership in the industry. The 1966 earnings represent a return of 16.8 per cent on invested capital, compared with the 14.2 per cent return achieved in 1965. This rate of return on shareholder equity continues to be among the highest in the industry.

**Container sales reach
record \$460,365,000**

Container Corporation sales reached an all-time high of \$460,365,000 in 1966. This was 13 per cent above the \$405,689,000 record established in 1965, and was the ninth consecutive year of sales growth for the company.

**Annual dividend rate
increased to \$1.30**

At the June meeting, the board of directors raised the regular quarterly dividend rate from \$.30 to \$.32½ per share. Dividends paid to holders of common stock in 1966 totaled \$1.25 per share, compared with \$1.15 per share in 1965. At the end of 1966, there were 11,196,782 shares of common

stock outstanding. A total of 16,917 individuals held stock in the corporation, excluding brokers, institutions and corporations. Ownership of the common stock of Container Corporation of America is spread among individuals living in each of the 50 states and in 14 foreign nations.

The corporation purchased 33,000 shares of its common stock during the year, which are available for various corporate purposes, including possible future acquisitions.

**Creative packages add value
to customer products**

Container Corporation earns its profits by creating packages which add value to thousands of consumer and industrial products. Its primary emphasis has been, and continues to be, on the creative design and efficient production of packages which meet specific product needs. The company works closely with customer companies to develop packaging which will support their marketing strategies, and which is tailored to their channels of distribution. A key element in this working partnership is the company's system of packaging services, which include graphic and structural design, market research, development of packaging machinery, and development of new materials and new combinations of materials to meet customer needs. Successful packaging requires the understanding and solution of customer problems. It requires knowledge of the distribution and marketing needs of a multiplicity of industries that manufacture and market institutional and industrial products—as well as consumer products destined for sale in the supermarket, drugstore, hardware store, and other retail outlets. Recognition of the special relationship packaging bears to the industries it serves, and the development of packaging products, services and ideas which help customer companies increase the efficiency and success of their operations, have been major factors contributing to the growth and profitability of Container Corporation.

**Paperboard production
breaks 1965 records**

Although the company emphasizes finished packaging rather than paperboard production, Container Corporation is the nation's second largest producer of paperboard; the

1,324,000 tons produced by its 14 domestic mills in 1966 represented 5.7 per cent of the industry total. The 23.1 million tons of paperboard which the domestic paperboard industry produced in 1966 were an 8.5 per cent increase over 1965 production of 21.3 million tons, and established a new production record for the sixth consecutive year. The industry operated at 92 per cent of capacity in 1966, compared with 90 per cent of capacity the previous year. Container Corporation mills operated at 94 per cent of capacity during 1966.

**Fabricated products represent
82 per cent of 1966 sales**

Finished packaging products accounted for \$378,836,000, or 82 per cent, of total 1966 sales. This total includes sales of corrugated and solid fibre shipping containers, folding cartons, fibre cans, plastic packaging, point-of-purchase displays, and other fabricated products. Sales of paperboard, waste paper, and other items accounted for the remaining \$81,529,000.

Container Corporation is the largest domestic producer of paperboard packaging and occupies a leadership position in each of the six overseas nations in which Container Corporation subsidiaries operate paperboard mills and package fabricating facilities.

**Overseas sales and
earnings increase**

Operations of these overseas subsidiaries, located in Western Europe and Latin America, accounted for 24 per cent of total sales and 22 per cent of corporate earnings. Sales by the overseas subsidiaries of Container Corporation of America in 1966 totaled \$111,160,000 compared with \$96,252,000 in 1965, an increase of 15 per cent. Profits from overseas operations were \$7,690,000, compared with \$5,794,000 in 1965, a gain of 33 per cent.

The outlook for the company's overseas operations continues to be excellent, with prospects for continually rising demands for paperboard packaging in expanding European and Latin American markets. Many of these nations now are experiencing a "self service" marketing revolution similar to the one which created the impetus for better and more useful packaging in the United

States, and which offers considerable potential for continued growth abroad.

**Future growth predicted
for domestic packaging**

The outlook for domestic growth is excellent. Detailed economic studies of future demand for packaging products in the United States indicate that predicted growth of major package-using industries during the next decade will increase the demand for Container Corporation products by approximately 50 per cent. This future growth will result primarily from population expansion, demographic changes, higher standards of living, and general upward movement of the Gross National Product. While the continuous growth of the packaging industry is related to these elements, the growth of Container Corporation need not be limited by them, largely because the company is organized to take advantage of opportunities inherent in the increased services it provides to the nation's major manufacturing and processing industries.

**Plant modernization and
expansion continues**

To meet present and future demands, the company plans to continue its relatively heavy schedule of plant and mill expansion and modernization.

Capital expenditures in 1966 exceeded \$44 million, compared with \$36 million in 1965 and \$30 million in 1964. The company plans to continue capital spending at the 1966 level during the coming year.

Major items in the company's 1966 capital investment program included completion of new shipping container plants in the Boston and Chicago areas, and expansion of the Houston shipping container plant. A modern marketing and research center is currently being completed adjacent to the new Chicago area shipping container facility. A new shipping container plant has just been completed at Shelby, North Carolina, and major expansion programs are currently underway at shipping container plants in Baltimore, Nashville, and St. Louis.

In Orlando, Florida, the fibre can division completed construction of a new plant which is now manufacturing fibre cans for the citrus industry. The division also is

**West coast packaging center
now under construction**

expanding its Piqua, Ohio, fibre can plant.

The company is currently expanding its folding carton plant in Solon, near Cleveland, Ohio.

New plastics fabricating operations are planned in Georgia, Illinois, and Pennsylvania.

**Capital investment program
includes overseas facilities**

In the San Francisco area, a new packaging center and divisional headquarters building is nearing completion at Santa Clara, adjacent to the modern mill and carton plant located there. This new center will serve as the focal point for packaging services the company performs for west coast customers of all divisions.

An expansion program now underway at the Circleville, Ohio, corrugating medium mill will increase the capacity of that mill by 25 per cent when it is completed in mid-1967. Expansion and modernization programs at the Wabash, Indiana, boxboard mill were carried out in 1966.

The company's program of selective investment was continued in the overseas subsidiaries, with additional investments in all areas.

Construction of the Valencia shipping container plant was completed in 1966, along with modernization and expansion programs at other Venezuelan properties.

In Mexico, a new plastics plant began operations; it is now producing polyvinyl chloride bottles used in marketing edible oils. The Mexico City shipping container plant also was enlarged in 1966.

In Colombia, a shipping container plant is now being built at Turbo, to manufacture banana boxes. Also nearing completion is a program to expand the Cali mill capacity for producing pulp from local hardwoods. This installation is scheduled to begin operation in the third quarter of 1967.

The Netherlands shipping container plant has been expanded to permit installation of a new corrugator, which is scheduled to be in operation by mid-1967.

In West Germany, shipping container plants at Hamburg and Lübecke were expanded. Additional machinery and

equipment were installed at the Ailing, Hoya, and Viersen mills to improve and expand production.

Increased timber holdings ensure pulpwood supplies

The company continued its timber purchase program in 1966, with the acquisition of 92,746 acres of timberland. Container Corporation currently owns or controls 584,209 acres of timberland through fee simple ownership, long term leases, and timber rights. The company also acquired an interest in the T. R. Miller Mill Company, Inc., which owns approximately 198,000 acres of heavily stocked timberlands near the Brewton, Alabama mill. The company's forestry program is designed to ensure a continuous supply of pulpwood for its domestic paperboard mills. The major portion of the pulpwood requirements of Container Corporation mills continues to be met through purchase from independent landowners, forest farmers, and chip producers.

Employee benefits enhanced by new stock option plan

As a means of increasing the effectiveness of key employees by strengthening their identity with and involvement in the success of the corporation, the shareholders in 1966 approved a qualified stock option plan which made 550,000 shares of stock available for issue to key management employees. At year's end, a total of 1,186 domestic employees or their joint annuitants were receiving pensions under the company's pension plans. A total of 1,927 employees have received pensions since the original plans were instituted. The company's group insurance and other benefit programs continue to provide protection and security for employees of the company.

The corporation also contributed \$2,251,000 to its stock bonus plan for the benefit of 2,174 employee members in 1966. At the end of 1966, the Container Common Stock Trust Fund owned 783,988 shares of the outstanding common stock of the company.

\$350,000 contributed to Container Foundation

The company contributed \$350,000 in 1966 to the Container Corporation of America Foundation, a non-profit corporation established to aid charitable, scientific, and educational institutions. The foundation made grants totaling

\$410,000 during 1966. Of these, 38 per cent were made to charitable and scientific organizations and 62 per cent to educational institutions.

**Four new directors
elected to board**

Container Corporation has been fortunate in its ability to attract able executives to serve on its board of directors. At the January meeting of the board, a by-law amendment was enacted which increased the size of the board of directors from 10 to 11 members. At the annual meeting of shareholders held in Chicago on April 26, four new directors were elected to the board of the corporation:

Robert O. Anderson, chairman of the board and chief executive officer of Atlantic Richfield Company.

William P. Drake, president and chief executive officer of Pennsalt Chemical Corporation.

Spencer D. Moseley, president of General American Transportation Corporation.

Henry G. Van der Eb, executive vice president of Container Corporation of America.

The newly elected directors succeed the following individuals who retired, in accordance with board policy on tenure and retirement, following long records of service to the corporation:

Wesley M. Dixon, former president and chairman of the board of the corporation, had been associated with Container Corporation and predecessor companies since 1926. Mr. Dixon had continued to serve as a director and member of the executive committee following his retirement as chairman of the board on December 31, 1963.

John L. Dole, chairman of the board and chief executive officer of the Dole Valve Company, had served as a director of Container Corporation since 1937.

John V. Spachner, former vice chairman of the board, had been associated with the corporation and predecessor

companies since 1918. Mr. Spachner had continued his service as director and member of the executive committee following his 1963 retirement as vice chairman.

Staff organization strengthened in 1966

The future growth and success of Container Corporation will be achieved through the efforts of its 21,769 employees, working in an organizational structure that is unique in the industry. This decentralized organization, which combines local management autonomy with centralized staff support, provides the flexibility needed to meet local marketing needs, while simultaneously furnishing opportunities for development of mature well-grounded executives and managers. Line sales and manufacturing operations are supported by staff operations in manufacturing, financial control, marketing, personnel, and creative services.

The organization of the corporation was strengthened through the election of several new officers in 1966: Carl M. Blumenschein, senior vice president and controller, was named senior vice president, finance, with expanded responsibilities which include long-range financial planning for the corporation. Mr. Blumenschein has been associated with the company since 1928 and has been a member of the management committee since 1945. Robert E. Feltes, who had served as assistant controller since 1960, was named controller of the company.

Five vice presidents elected by directors

At the September and December meetings, the board of directors elected the following vice presidents of the company:

Albert L. Ahlers, division general manager of the east-central container division.

Thomas L. Benson Jr., division general manager of the fibre can division.

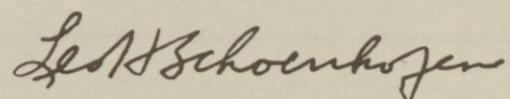
Charles B. Bishop, division general manager of the west coast container division.

Lewis M. Cutter, director of marketing for special products of the container division.

Richard C. Winkler, division general manager of the eastern container division.

**Personnel development program
assures future leadership**

During 1966 Container Corporation continued its ambitious program of personnel recruitment and development to assure manpower resources that will be as responsive to future requirements as are the improved physical plants and equipment now planned or under construction. The creative and managerial skills of these individuals will be essential to the future growth and progress of the corporation. Long-term economic forecasts indicate continued growth for the packaging industry. Container Corporation is organized to share in that growth.



Leo H. Schoenhofen
President and Chief Executive Officer

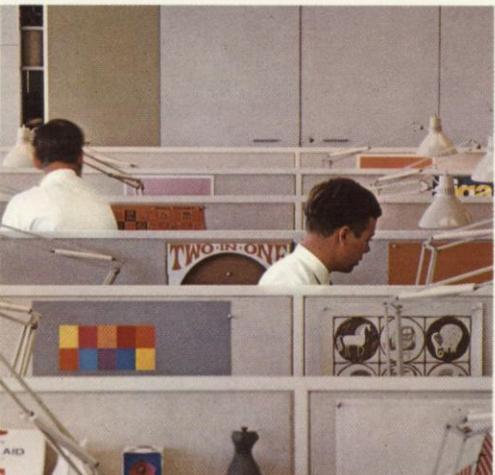
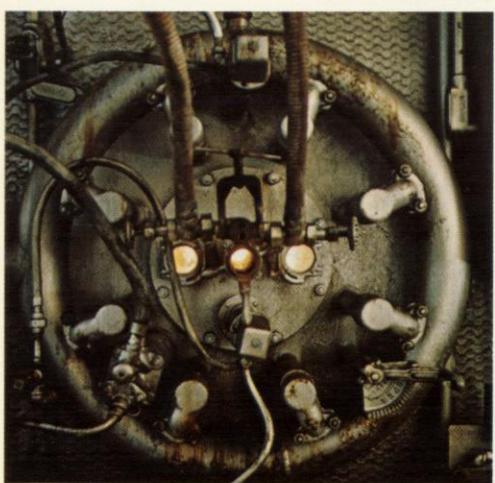
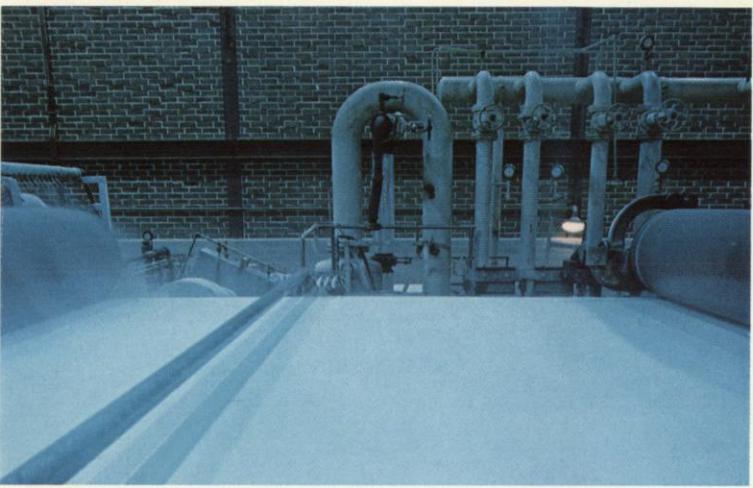
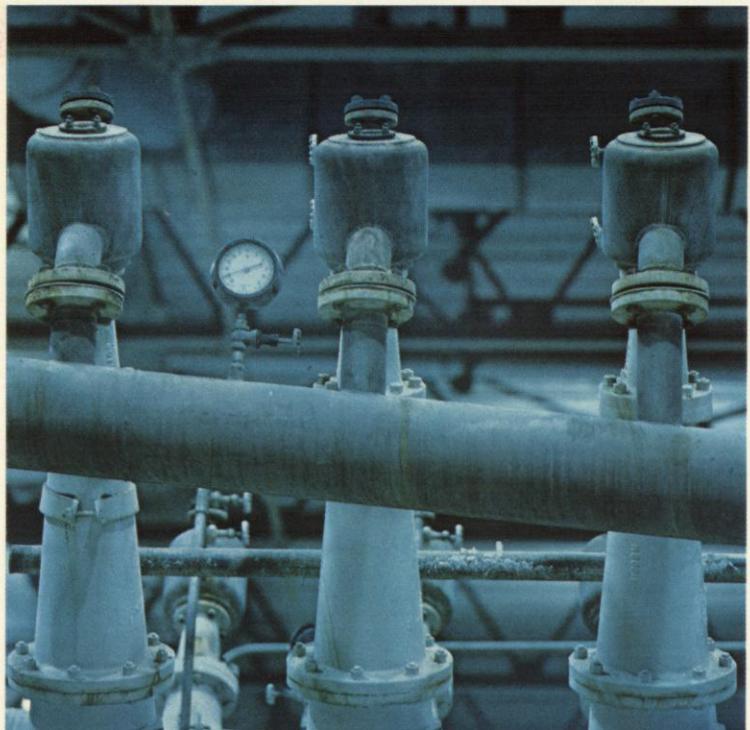
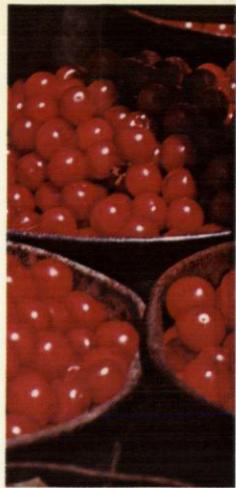
The annual meeting of the shareholders will be held on Tuesday, April 18, 1967. A notice of the meeting, together with a form of proxy and proxy statement, will be mailed to shareholders on or about March 16, 1967, at which time proxies will be requested by the management.

Packaging products and services are available through these manufacturing and marketing facilities

United States			
Folding Cartons	Knoxville, Tenn.	Los Angeles, Calif.	Lübbecke, West Germany
Los Angeles, Calif.	Memphis, Tenn.	Santa Clara, Calif.	Viersen, West Germany
Santa Clara, Calif.	Nashville, Tenn.	Wilmington, Del.	Milan, Italy
Chicago (Carol Stream), Ill.	Fort Worth, Texas	Fernandina Beach, Fla.	Paper Stock
Fort Wayne, Ind.	Houston, Texas	Chicago, Ill. (2)	West Germany
Boston, Mass.	Seattle, Wash.	Carthage, Ind.	Latin America
St. Paul, Minn.	Research Facilities	Wabash, Ind.	Folding Cartons
Greensboro, N.C.	Wilmington, Del.	Cincinnati, Ohio	Cali, Colombia
Solon, Ohio	Chicago (Carol Stream), Ill.	Circleville, Ohio	Mexico City, Mexico (2)
Philadelphia, Pa.	St. Louis, Mo.	Philadelphia, Pa.	Caracas, Venezuela
Valley Forge, Pa.	Valley Forge, Pa.	Chattanooga, Tenn.	Valencia, Venezuela
Chattanooga, Tenn.	National Packaging Center	Tacoma, Wash.	Shipping Containers
Arlington, Texas	New York, N.Y.	Paper Stock	Barranquilla, Colombia
Renton, Wash.	Displays	Los Angeles, Calif.	Bogota, Colombia
Shipping Containers	Oakland, Calif.	Chicago, Ill.	Cali, Colombia
Fresno, Calif.	Chicago, Ill.	Baltimore, Md.	Medellin, Colombia
Los Angeles, Calif.	Rock Island, Ill.	Detroit, Mich.	Mexico City, Mexico
Oakland, Calif.	New Brunswick, N.J.	Kalamazoo, Mich.	Caracas, Venezuela
Fernandina Beach, Fla.	Cincinnati, Ohio	Philadelphia, Pa.	Maracaibo, Venezuela
Chicago (Carol Stream), Ill.	Fibre Cans	Western Europe	Maracay, Venezuela
Dolton, Ill.	Los Angeles, Calif.	Folding Cartons	Valencia, Venezuela
Rock Island, Ill.	San Jose, Calif.	Augsburg, West Germany	Fibre Cans
Anderson, Ind.	Orlando, Fla.	Bremen, West Germany	Cali, Colombia
Sioux City, Iowa	Jeffersonville, Ind.	Hamburg, West Germany	Mexico City, Mexico
Louisville, Ky.	New Orleans, La.	Orsenigo (Como), Italy	Plastics
Baltimore, Md.	St. Paul, Minn.	Shipping Containers	Mexico City, Mexico
Wakefield, Mass.	St. Louis, Mo.	Düsseldorf, West Germany	Multiwall Bags
St. Louis, Mo.	Jamesburg, N.J.	Hamburg, West Germany	Cali, Colombia
New Brunswick, N.J.	Piqua, Ohio	Heppenheim, West Germany	Paperboard Mills
Fulton, New York	Portland, Oregon	Lübbecke, West Germany	Cali, Colombia (2)
Shelby, N.C.	Dallas, Texas	Neuberg, West Germany	Mexico City, Mexico (2)
Winston-Salem, N.C.	Plastics	Novi Ligure, Italy	Caracas, Venezuela
Cincinnati, Ohio	Torrance, Calif.	Soest, Netherlands	Valencia, Venezuela
Muskogee, Okla.	Wilmington, Del.	Fibre Cans	Paper Stock
Portland, Oregon	Chicago, Ill. (2)	Orsenigo (Como), Italy	Colombia
Philadelphia, Pa.	Totowa, N.J.	Paperboard Mills	Mexico
Chattanooga, Tenn.	Paperboard Mills	Alling, West Germany	Venezuela
	Brewton, Ala.	Hoya, West Germany	



Combining the fresh fruit of the orchard with other ingredients that assure the modern consumer a quality product



cardboard which the combined skills of designers, die makers, printers and other craftsmen convert into the carton that is the key to success

The time and talents of a thousand pie makers are united in harvesting, cooking and c



In parallel process, the package grows from pulpwood logs that science and technology transform into the pa

Can she bake
a cherry pie

Billy Boy

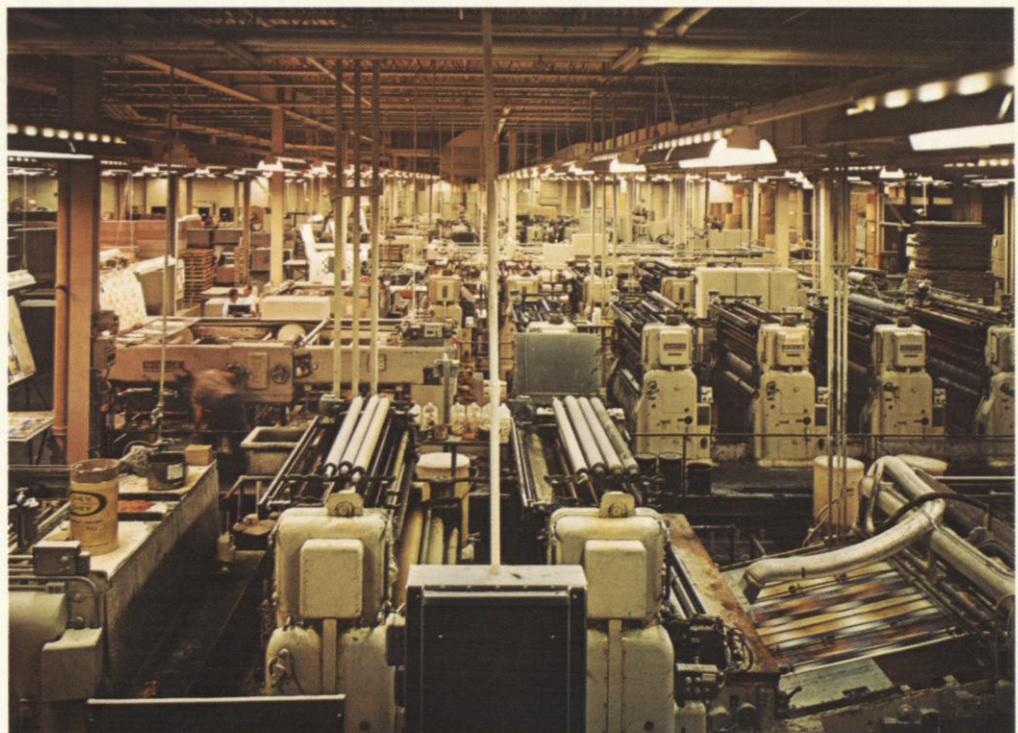
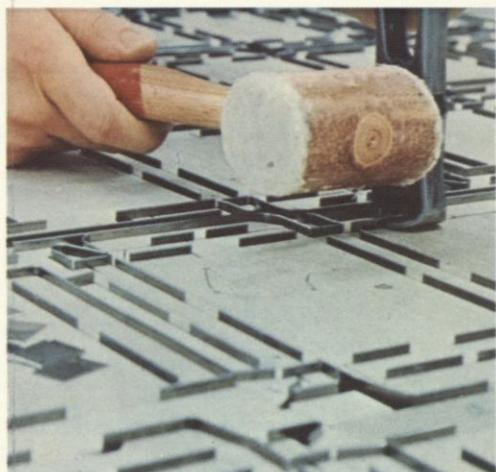
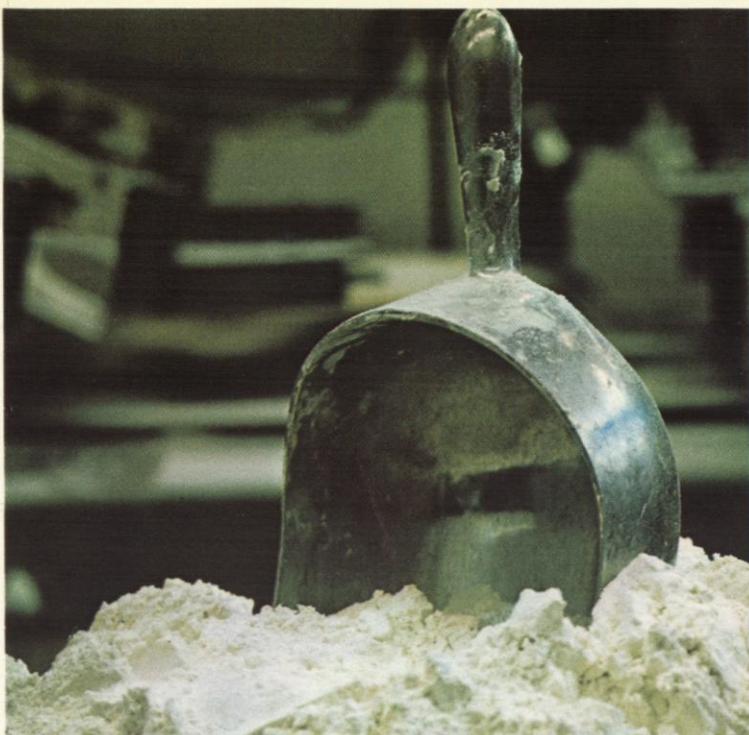
Billy Boy

?

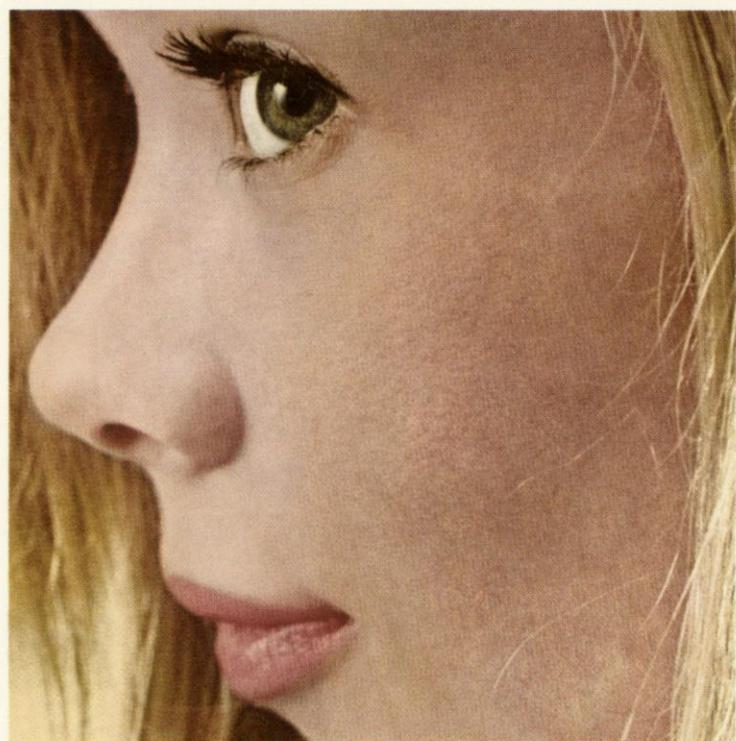
She can bake
a cherry pie
in the twinkling
of an eye

!





ful distribution and marketing of the product



Container Corporation of America and Subsidiaries

To more fully inform our shareholders, we have briefly described below certain of the company's accounting and financial principles which affect the more significant elements of the financial statements

Inventories	Inventories are valued at the lower of cost or market. Cost is determined principally on an average method for raw materials, work-in-process and finished goods. Interplant and intercompany profits are eliminated from inventory valuations.
Property and Depreciation	Items capitalized as part of plant and equipment represent land, buildings, equipment, and significant betterments to existing plant and equipment, at cost. Beginning in 1966, land and building acquisitions which were financed by long-term lease arrangements have been recorded in the property accounts and the corresponding obligations were recorded as long-term liabilities. Depreciation for corporate reporting purposes is determined on a straight-line basis at rates adequate to depreciate the applicable assets over their expected average useful lives.
Deferred Federal Taxes	For federal income tax purposes, depreciation is claimed using maximum allowable methods. Since these methods differ from those used for corporate reporting purposes, a provision for deferred federal taxes is made annually to provide for the taxes which will be payable in future years.
Investment Credit	The reduction in federal income taxes resulting from the investment credit on current year's additions to equipment is reflected in the statement of earnings currently.
Overseas Subsidiaries	The consolidated financial statements include all of the company's significant overseas subsidiaries and all intercompany transactions are eliminated in consolidation. The accounts of the overseas subsidiaries have been translated to U.S. dollars based on the official or free rates of exchange applicable in the circumstances. Plant and equipment accounts are expressed at historic costs. Other assets and liabilities are translated at the rates of exchange in effect at the end of the year. Income accounts, with the exception of depreciation translated at historic costs, are translated at the applicable rates during and at the end of each year.
Currency Devaluation Reserve	The company maintains a reserve for possible reductions of asset values occasioned by overseas currency devaluations.
U.S. Federal Income Taxes on Overseas Earnings	U.S. federal taxes are provided only on those earnings of overseas subsidiaries remitted to the United States as dividends.
Goodwill	Goodwill resulting from acquisition of subsidiaries is amortized against consolidated earnings over a reasonable period of time.
Research and Development	Costs in connection with research and development are expensed as incurred.

The above financial and accounting principles and policies have been followed in 1966 on a basis consistent with that followed in 1965.

Consolidated Balance Sheets—December 31, 1966 and 1965

Assets	1966	1965
Current assets		
Cash	\$ 11 716 000	\$ 9 525 000
Marketable securities, at cost which approximates market	20 315 000	14 532 000
Receivables, less reserves	46 876 000	40 838 000
Inventories, at the lower of average cost or market	48 687 000	44 967 000
Prepaid expenses	5 620 000	4 417 000
Total current assets	133 214 000	114 279 000
Investments and advances, at cost	14 504 000	3 185 000
Property, at cost		
Timberlands, less depletion	29 737 000	17 859 000
Land, buildings, machinery, equipment, etc.	387 261 000	360 218 000
Less—Reserves for depreciation	180 747 000	166 211 000
Total property	236 251 000	211 866 000
Deferred charges	4 025 000	4 497 000
	\$387 994 000	\$333 827 000

(1) Sinking fund requirements for the 3.30% sinking fund debentures are \$1,400,000 annually through 1979 and \$8,400,000 in 1980 and for the 4.40% sinking fund debentures are \$1,000,000 annually beginning in 1968 through 1986 and \$6,000,000 in 1987. Under the terms of the more restrictive of the indentures and certain other restrictions, approximately \$62,000,000 of the consolidated earnings retained at December 31, 1966, were not restricted as to cash dividends on and acquisitions of the company's capital stock.

Certain land and buildings acquired during 1966 were financed by long-term 25 year lease arrangements. The assets (\$8,184,000) have been recorded in the property accounts and the corresponding obligations were recorded as long-term debt. Similar transactions prior to 1966 were not material. Other long-term debt relates primarily to overseas subsidiaries and matures in varying installments principally over the next five years.

Liabilities	1966	1965
Current liabilities		
Short-term loans and current portion of long-term debt	\$ 7 490 000	\$ 4 587 000
Accounts payable and accrued expenses	45 927 000	29 419 000
Accrued income taxes	14 554 000	14 577 000
Total current liabilities	67 971 000	48 583 000
Deferred income taxes and other liabilities	17 421 000	12 850 000
Long-term debt, less current portion (Note 1)		
3.30% sinking fund debentures, due 1980	23 865 000	23 973 000
4.40% sinking fund debentures, due 1987	24 006 000	24 116 000
Lease obligations	7 723 000	—
Other	13 890 000	11 743 000
Total long-term debt	69 484 000	59 832 000
Minority interest in subsidiaries	9 701 000	8 845 000
Shareholders' equity		
Common stock, \$5 par value; authorized 15,000,000 shares, issued 11,231,782 shares at December 31, 1966 (Note 2)	56 159 000	56 002 000
Shareholders' investment in excess of par value (Note 2)	9 322 000	8 832 000
Earnings retained for requirements of the business (Note 1)	159 186 000	138 951 000
Deduct—Cost of common stock held in treasury (35,000 shares at December 31, 1966)	1 250 000	68 000
Total Shareholders' equity	223 417 000	203 717 000
	\$387 994 000	\$333 827 000

(2) Under various stock option plans for officers and key employees, options to purchase 94,352 shares (92,940 exercisable) were outstanding at January 1, 1966. During the year, options for 1,044 shares became exercisable, options for 31,344 shares were exercised, options for 474 shares were cancelled and options for 331,500 shares were granted. At December 31, 1966, options to purchase 394,034 shares were outstanding at prices ranging from \$18.19 to \$33.31 per share, of which options to purchase 62,166 shares were exercisable. At December 31, 1966, there were 218,500 shares available for the granting of options. The increase in shareholders' investment in excess of par value during 1966 represents the excess of proceeds over par value of shares purchased under these options.

Statements of Consolidated Earnings For the Years Ended December 31, 1966 and 1965

	1966	1965
Net sales	\$460 365 000	\$405 689 000
Cost of sales	354 759 000	315 426 000
Gross income from operations	105 606 000	90 263 000
Selling, administrative and research expenses	38 774 000	35 811 000
Income from operations	66 832 000	54 452 000
Other deductions, net	4 651 000	4 293 000
Earnings before income taxes	62 181 000	50 159 000
Provision for income taxes	27 950 000	22 858 000
Earnings for the year	\$ 34 231 000	\$ 27 301 000

Statements of Consolidated Earnings Retained for Requirements of the Business

For the Years Ended December 31, 1966 and 1965

	1966	1965
Balance beginning of year	\$138 951 000	\$124 649 000
Earnings for the year	34 231 000	27 301 000
Cash dividends—		
Preferred stock (\$3.67 per share)	—	151 000
Common stock (\$1.25 per share in 1966 and \$1.15 in 1965)	13 996 000	12 848 000
Balance end of year (Note 1)	\$159 186 000	\$138 951 000

The accompanying notes are an integral part of these statements.

Consolidated Application of Funds Statements For the Years Ended December 31, 1966 and 1965

	1966	1965
Funds were provided from the following sources:		
Earnings for the year	\$34 231 000	\$27 301 000
Provision for depreciation and depletion	19 593 000	18 454 000
Increase in deferred income taxes and other liabilities	4 571 000	4 027 000
Increase in long-term debt	13 399 000	1 744 000
Proceeds from exercise of stock options	647 000	1 400 000
Other	2 362 000	1 346 000
Total funds provided	74 803 000	54 272 000
Funds were expended for the following:		
Property additions and improvements	44 032 000	36 540 000
Investment in T. R. Miller Mill Co.	11 342 000	—
Net property from acquisition and consolidation of subsidiaries	—	1 335 000
Dividends—		
Preferred	—	151 000
Common	13 996 000	12 848 000
Purchase and redemption of preferred stock	—	4 171 000
Repayment of long-term debt	3 747 000	5 255 000
Other	2 139 000	1 397 000
Total funds expended	75 256 000	61 697 000
Resulting in a decrease in working capital of	\$ 453 000	\$ 7 425 000

Auditors' Report

To the Shareholders of Container Corporation of America:

We have examined the consolidated balance sheet of Container Corporation of America (a Delaware corporation) and subsidiaries as of December 31, 1966, and the related statements of consolidated earnings, consolidated earnings retained for requirements of the business and consolidated application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the financial statements described above present fairly the financial position of Container Corporation of America and subsidiaries as of December 31, 1966, and the results of their operations and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Domestic and Overseas Net Assets—December 31, 1966 and 1965 (in thousands of dollars)

	Consolidated		Domestic		Overseas	
	1966	1965	1966	1965	1966	1965
Current assets						
Cash and marketable securities	32 031	24 057	25 352	18 970	6 679	5 087
Receivables, less reserves	46 876	40 838	33 895	29 322	12 981	11 516
Inventories	48 687	44 967	29 950	28 837	18 737	16 130
Prepaid expenses	5 620	4 417	4 082	3 463	1 538	954
Total current assets	133 214	114 279	93 279	80 592	39 935	33 687
Investments and advances	14 504	3 185	13 168	2 218	1 336	967
Property, less reserves	236 251	211 866	177 514	156 494	58 737	55 372
Deferred charges	4 025	4 497	1 936	2 581	2 089	1 916
Total assets	387 994	333 827	285 897	241 885	102 097	91 942
Current liabilities						
Short-term loans and current portion of long-term debt	7 490	4 587	746	311	6 744	4 276
Accounts payable and accrued expenses	45 927	29 419	36 546	21 576	9 381	7 843
Accrued income taxes	14 554	14 577	9 986	10 014	4 568	4 563
Total current liabilities	67 971	48 583	47 278	31 901	20 693	16 682
Deferred income taxes and other liabilities	17 421	12 850	13 003	9 740	4 418	3 110
Long-term debt	69 484	59 832	58 461	49 667	11 023	10 165
Total liabilities	154 876	121 265	118 742	91 308	36 134	29 957
Total net assets	233 118	212 562	167 155	150 577	65 963	61 985
Minority interest in subsidiaries	9 701	8 845	—	—	9 701	8 845
Shareholders' equity	223 417	203 717	167 155	150 577	56 262	53 140

Domestic and Overseas Earnings For the Years 1966 and 1965 (In thousands of dollars)

	Consolidated		Domestic		Overseas	
	1966	1965	1966	1965	1966	1965
Net sales	460 365	405 689	349 205	309 437	111 160	96 252
Cost of sales	354 759	315 426	268 894	241 993	85 865	73 433
Gross income from operations	105 606	90 263	80 311	67 444	25 295	22 819
Selling, administrative and research expenses	38 774	35 811	30 210	28 160	8 564	7 651
Income from operations	66 832	54 452	50 101	39 284	16 731	15 168
Other deductions, net	4 651	4 293	1 534	861	3 117*	3 432*
Earnings before income taxes	62 181	50 159	48 567	38 423	13 614	11 736
Provision for income taxes	27 950	22 858	22 026	16 916	5 924	5 942
Earnings for the year	34 231	27 301	26 541	21 507	7 690	5 794

*Includes deduction for minority interest of \$2,065,000 in 1966 and \$1,249,000 in 1965.

Quarterly Earnings Per Share

	1966	1965
1st Quarter	.74	.62
2nd Quarter	.85	.66
3rd Quarter	.75	.49
4th Quarter	.72	.65
Total	3.06	2.42

Dividends Per Share

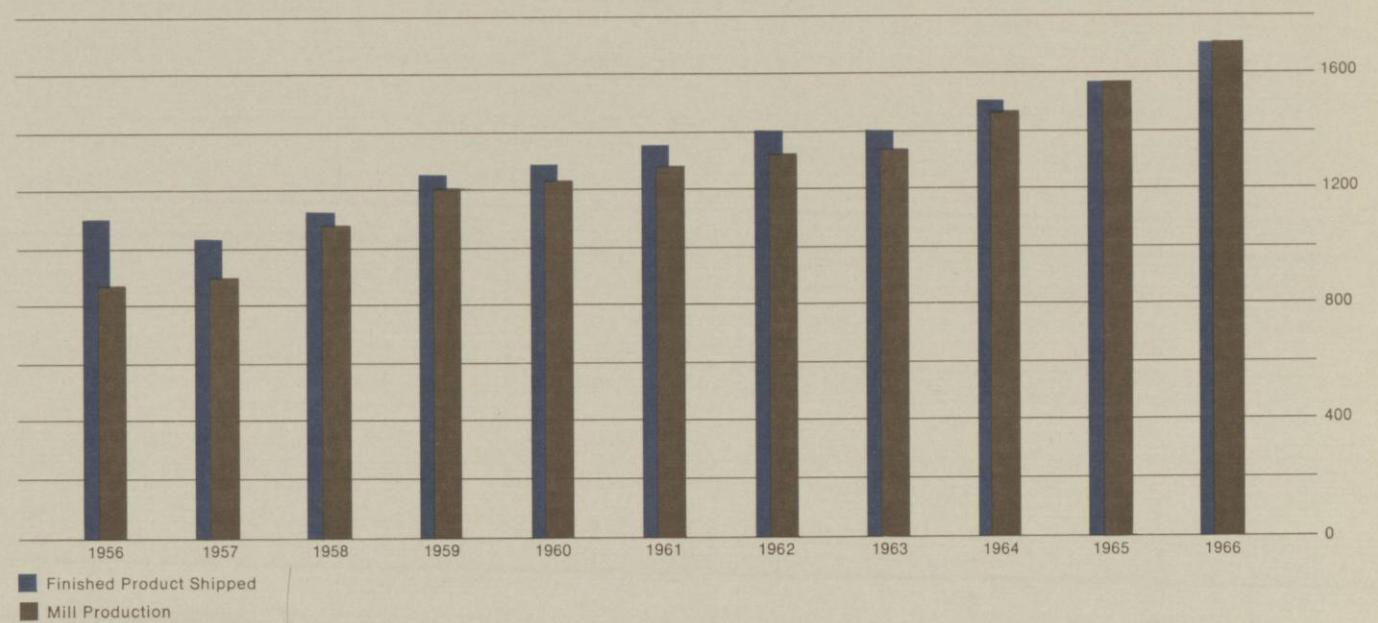
	1966	1965
February	.30	.25
May	.30	.30
August	.32½	.30
November	.32½	.30
Total	1.25	1.15

Distribution of Sales Dollars According to Product Classifications

Corrugated and solid fibre shipping containers	215 766 000	47%
Folding cartons, fibre cans and plastic products	163 070 000	35
Paperboard, waste paper, and other	81 529 000	18
Net sales	460 365 000	100%

Paperboard Production and Shipments

Thousands of Tons
2000



Financial Information For Ten Year Period Ended December 31, 1966

	1966	1965	1964
Net sales	460 365 000	405 689 000	390 575 000
Earnings before income taxes	62 181 000	50 159 000	42 100 000
Provision for income taxes	27 950 000	22 858 000	18 960 000
Earnings for the year	34 231 000	27 301 000	23 140 000
per share	3.06	2.42	2.06
per cent return on shareholders' equity	16.8	14.2	12.9
Total common stock dividends	13 996 000	12 848 000	11 055 000
per share	1.25	1.15	1.00
Property additions and improvements	44 032 000	36 540 000	30 373 000
Depreciation and depletion	19 593 000	18 454 000	17 353 000
Current assets	133 214 000	114 279 000	118 478 000
Current liabilities	67 971 000	48 583 000	45 357 000
Working capital	65 243 000	65 696 000	73 121 000
Current ratio	1.96 to 1	2.35 to 1	2.61 to 1
Property, less reserves	236 251 000	211 866 000	192 661 000
Deferred income taxes and other liabilities	17 421 000	12 850 000	8 823 000
Long-term debt	69 484 000	59 832 000	63 343 000
Shareholders' equity	223 417 000	203 717 000	191 943 000
Book value per share	19.95	18.19	16.89

Note: Overseas subsidiaries consolidated since 1958.

†Excludes non-recurring earnings of \$1,894,000 or 18¢ per share.

1963	1962	1961	1960	1959	1958	1957
356 814 000	343 045 000	330 098 000	327 262 000	322 287 000	289 600 000	256 116 000
39 372 000	38 290 000	36 808 000	35 411 000	39 404 000	31 180 000	29 790 000
20 247 000	19 620 000	18 510 000	18 335 000	19 765 000	16 100 000	15 200 000
19 125 000	18 670 000	18 298 000†	17 076 000	19 639 000	15 080 000	14 590 000
1.71	1.72	1.68†	1.57	1.83	1.41	1.36
11.4	12.0	12.6	12.4	15.4	12.2	12.6
10 003 000	8 867 000	9 627 000	10 580 000	10 532 000	10 509 000	10 509 000
.92½	.82½	.90	1.00	1.00	1.00	1.00
36 545 000	23 966 000	19 522 000	17 641 000	17 768 000	22 049 000	37 179 000
15 831 000	14 772 000	13 467 000	12 829 000	11 703 000	10 741 000	6 756 000
103 226 000	94 407 000	93 934 000	83 332 000	76 050 000	74 534 000	59 011 000
47 577 000	45 108 000	47 640 000	41 061 000	40 542 000	44 808 000	25 082 000
55 649 000	49 299 000	46 294 000	42 271 000	35 508 000	29 726 000	33 929 000
2.17 to 1	2.09 to 1	1.97 to 1	2.03 to 1	1.88 to 1	1.66 to 1	2.35 to 1
183 678 000	164 418 000	156 726 000	150 671 000	141 930 000	136 784 000	105 875 000
8 661 000	6 879 000	3 844 000	3 254 000	2 509 000	1 715 000	276 000
62 487 000	64 937 000	42 691 000	43 579 000	39 059 000	36 259 000	35 550 000
179 926 000	166 474 000	156 193 000	145 412 000	137 185 000	127 787 000	119 222 000
15.79	14.94	14.01	13.02	12.36	11.49	10.65

Container Corporation of America
38 South Dearborn Street
Chicago, Illinois 60603

Directors

Robert O. Anderson, Chairman and Chief Executive Officer, Atlantic Richfield Company, Philadelphia, Pennsylvania
Thomas F. Cass, Executive Vice President, Chicago, Illinois
Frederick S. Crysler, Executive Vice President, Chicago, Illinois
William P. Drake, President and Chief Executive Officer, Pennsalt Chemical Corporation, Philadelphia, Pennsylvania
Gaylord A. Freeman, Jr.,* Vice Chairman of the Board, The First National Bank of Chicago, Chicago, Illinois
Albert H. Gordon,* Chairman of the Board, Kidder, Peabody & Co., Incorporated, New York, New York
Robert S. Ingersoll,* Chairman and Chief Executive Officer, Borg-Warner Corporation, Chicago, Illinois
John F. Merriam,* Chairman of the Executive Committee, Northern Natural Gas Company, Omaha, Nebraska
Spencer D. Moseley, President, General American Transportation Corporation, Chicago, Illinois
Leo H. Schoenhofen,* President and Chief Executive Officer, Chicago, Illinois
Henry G. Van der Eb, Executive Vice President, Chicago, Illinois

Executive Officers

Leo H. Schoenhofen, President and Chief Executive Officer
Thomas F. Cass, Executive Vice President
Frederick S. Crysler, Executive Vice President
Henry G. Van der Eb, Executive Vice President
Carl M. Blumenschein, Senior Vice President, Finance
Harry E. Green, Senior Vice President and General Counsel
Paul W. Guenzel, Vice President and Treasurer
Laurence A. Combs, Vice President
Edward K. Meier, Secretary
Robert E. Feltes, Controller

Divisional Vice Presidents

Paperboard Mills

Donn O. Jennings
Robert E. Phinney

William H. Richards

William B. Whiting

Shipping Containers

Everett G. Temple, Senior Vice President

Albert L. Ahlers

Charles B. Bishop

Edwin H. Bixby

G. William Colvin

Lewis M. Cutter

Macon M. Dalton

Frank G. Jones

James F. Tate

Richard C. Winkler

Folding Cartons

R. Harper Brown

Paul A. Graf

J. Donald Scott

David C. Whitehouse

Fibre Cans

Thomas L. Benson, Jr.

Robert J. Brockman

Plastics

Jerome S. Heisler

Overseas

Earl P. Kaufman

Lennart M. Ulvaeus

Research

William P. Peters

Transfer Agents

Harris Trust and Savings Bank, Chicago, Illinois

First National City Bank, New York, New York

Registrars

Continental Illinois National Bank and Trust Company, Chicago, Illinois

Chemical Bank New York Trust Company, New York, New York

*Member of Executive Committee



